

Message Text

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PAGE 01 OSLO 04809 301634Z

53

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 AGR-05 OES-03 NEA-10 /107 W

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P R 301603Z OCT 75

FM AMEMBASSY OSLO

TO SECSTATE WASHDC PRIORITY 666

AMCONSUL SYDNEY

AMEMBASSY VIENNA

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ATHENS

AMEMBASSY REYKJAVIK

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY WELLINGTON

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY BERN

AMEMBASSY ANKARA

AMEMBASSY LONDON

USMISSION OECD PARIS

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PAGE 02 OSLO 04809 301634Z

E.O. 11652: N/A

TAGS: EFIN NO

SUBJ: U.S. PROPOSED DEVELOPMENT SECURITY FACILITY

REF: STATE 253644

1. NORWEGIAN IMF GOVERNOR GETZ WOLD ADVISED E/C COUNSELOR THAT AT HIS REQUEST DEPUTY GOVERNOR SKAANLAND OF THE NORGES BANK DISCUSSED AT A MEETING OF THE NORDIC FINANCIAL ADVISORY GROUP IN STOCKHOLM YESTERDAY THE U.S. SUGGESTION THAT A CONSENSUS BE REACHED AMONG OECD COUNTRIES THAT FUTURE RECOURSE TO THE COMPENSATORY FINANCING FACILITY (CFF) BE SOLELY BY DEVELOPING COUNTRIES THAT MEET THE ELIGIBILITY CRITERIA.

2. GETX WOLD SAID THAT IT WAS HIGHLY DOUBTFUL THAT NORWAY, SWEDEN OR DENMARK WOULD EVER HAVE RECOURSE TO THE CFF OR WOULD QUALIFY FOR A LOAN FROM THE FACILITY. HOWEVER, THERE WERE A FEW DEVELOPED COUNTRIES -- AND THE NORDIC COUNTRIES HAD ICELAND PARTICULARLY IN MIND -- FOR WHICH THE CFF WAS FAR MORE IMPORTANT THAN REGULAR IMF FACILITIES BECAUSE OF THESE COUNTRIES' ECONOMIC DEPENDENCE ON ONE OR TWO COMMODITIES. ICELAND WAS EXTREMELY DEPENDENT ON FISH, AND SWINGS IN FISH PRICES COULD CREATE IMPOSSIBLE LIQUIDITY SITUATIONS EVEN THOUGH A REASONABLE FINANCIAL POLICY WAS BEING FOLLOWED BY THE ICELANDIC GOVERNMENT. IT WAS ALSO REMOTELY POSSIBLE THAT FINLAND COULD ENCOUNTER SIMILAR PROBLEMS AS A RESULT OF ITS DEPENDENCE ON PULP AND PAPER.

3. AS A CONSEQUENCE, GETZ WOLD SAID, NORWAY, SEDEN AND DENMARK WOULD FIND IT DIFFICULT TO SUPPORT A VOLUNTARY CONSENSUS ON THE PART OF OECD COUNTRIES TO ESCHEW USE OF THE CFF SINCE THIS COULD BE HARMFUL TO THE VERY FEW COUNTRIES SUCH AS ICELAND TO WHICH ACCESS TO THE FACILITY WAS SO IMPORTANT. WHEN ASKED WHETHER NORWAY WOULD ITSELF AGREE TO VOLUNTARILY ESCHEW RECOURSE TO THE CFF, GETZ WOLD DECLINED TO ANSWER, SAYING THAT THIS WAS ANOTHER QUESTION THE IMPLICATIONS OF WHICH HE WOULD HAVE TO CONSIDER CAREFULLY.

BYRNE

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